

**BRITISH - AMERICAN CONSTRUCTION
& MATERIALS LIMITED**

ANNUAL REPORT 1965

**BRITISH-AMERICAN
CONSTRUCTION &
MATERIALS LIMITED**

1500 PLESSIS ROAD
WINNIPEG — CANADA

THE COVER:

An artistic impression of our \$2.8 million international contract with the Government of Canada for an 11,450 feet runway complex at Katunayake Airport near Colombo, Ceylon.

This project, undertaken by Canada through the Colombo Plan, will bring the Katunayake Airport to Jet-Age standards.

Ceylonese employees placing concrete on airport runway - an International Project near Colombo.



FINANCIAL HIGHLIGHTS

	1965	1964	1963	1962
Total Operating Revenues	\$32,754,842	\$26,160,215	\$20,329,035	\$18,599,172
Total Operating Expenses	31,561,599	24,413,136	20,151,484	15,824,832
Operating Profit	1,193,243	1,747,079	177,551	2,774,340
Depletion and Depreciation	1,377,016	1,163,657	1,144,947	943,981
Income Taxes	612,637	904,395	115,647	1,106,002
Net Income (and Special Gain realized in 1965) . . .	3,058,022	842,684	61,904	1,668,338
Net Income and Special Gain per share	2.99	0.82	0.06	1.63
Dividends Paid* (see Note I to Financial Statements)	258,729*	160,400	229,459	142,505
Dividends per share (U.S. Funds)	0.48	0.48	0.69	0.45
Plant and Equipment—Net	9,521,762	8,936,527	8,117,745	7,159,033
Number of Shareholders	1658	1818	1765	

FOURTH ANNUAL REPORT



Your directors take pleasure in submitting to you the annual report of your Company and its subsidiaries for the fiscal period ended February 28th, 1965, together with the financial statements and the report of the auditors, Messrs. Ernst & Ernst.

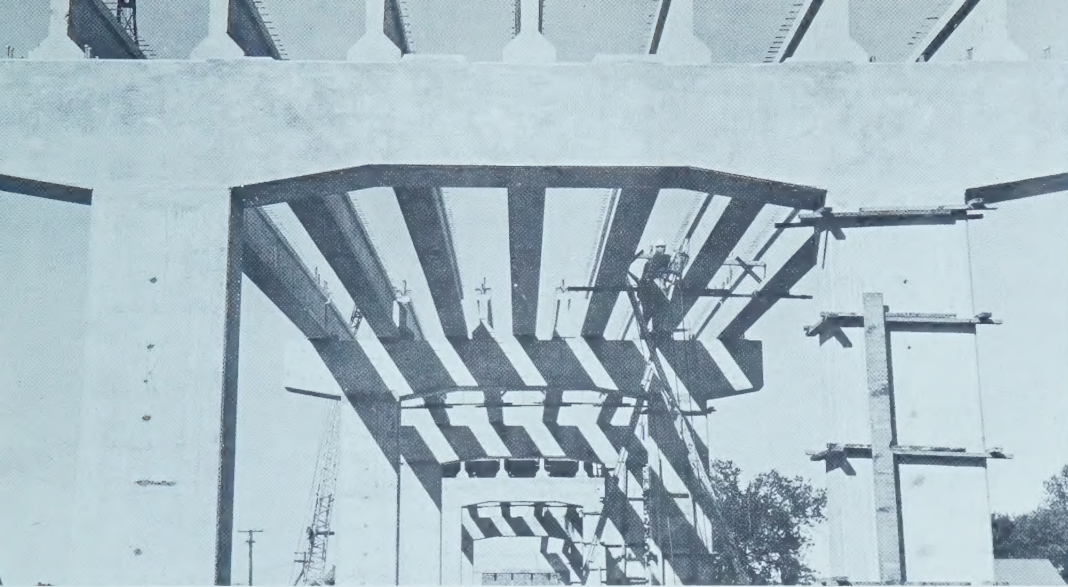
FINANCIAL

The year ended February 28th, 1965, marked the fourth consecutive year during which the revenues of the company increased. Total revenues increased by approximately 25% from \$26,160,215 to \$32,754,842.

Consolidated net earnings and special gain of the Company for the current year was \$3,058,022 (after depreciation and depletion of \$1,377,016). This was a substantial increase over the consolidated net income of \$842,684 for the 1964 year end (after depreciation and depletion of \$1,163,657). Net income from operations totaled \$580,606 or approximately \$.57 per share. A special non-recurring gain of \$2,477,416 or approximately \$2.42 per share was realized from the sale by the Company of its cement plant under construction. The combined net income and special gain totaled approximately \$2.99 per share. It is significant to point out that during the current year our Stockholders' equity increased from \$7,370,965 to \$10,170,258 an addition of \$2,799,293 or approximately \$2.73 per share after dividends paid.

Cash dividends in the amount of \$258,729 at the quarterly rate of \$.12 (U.S.) per share were paid by the Company during the fiscal year, compared to cash dividends of \$160,400 paid during the prior year. Dividend waivers agreed to by certain stockholders expired on September 30th, 1964, and after payment of the regular quarterly dividend on November 30th, 1964 to all stockholders, certain stockholders of the Company again agreed to waive their rights to participate in any further dividends until November 30th, 1965.

DIRECTORS' REPORT TO SHAREHOLDERS



Pre-cast, pre-stressed concrete girders manufactured by the Precast Concrete Division for the Tupper Street Overpass, Portage la Prairie, Manitoba.

OPERATIONS CONSTRUCTION

Although revenues from the construction division rose considerably during the year, unfavourable weather and tight pricing conditions which prevailed in the heavy construction industry last year resulted in disappointing profits. A considerable portion of the increased revenues arose out of certain engineered construction projects which contain a higher percentage of sub-contract work on which the Company does not normally make a significant profit.

Although the heavy construction industry has experienced ever narrowing profit margins in recent years, and strong competition has resulted in unrealistic prices, these conditions are easing and there appears to be an industry wide trend to more realistic prices and wider margins of profit.

Your Company is concentrating its bidding in those specialty fields where it has been successful for many years. We have also extended our activities into the international field, where we recently secured a substantial contract from the Canadian Government to construct runways at the Katunayake Airport in Ceylon. The Construction Division has an excellent backlog of work in its traditional market area, from which the Company expects a considerable improvement in construction earnings.

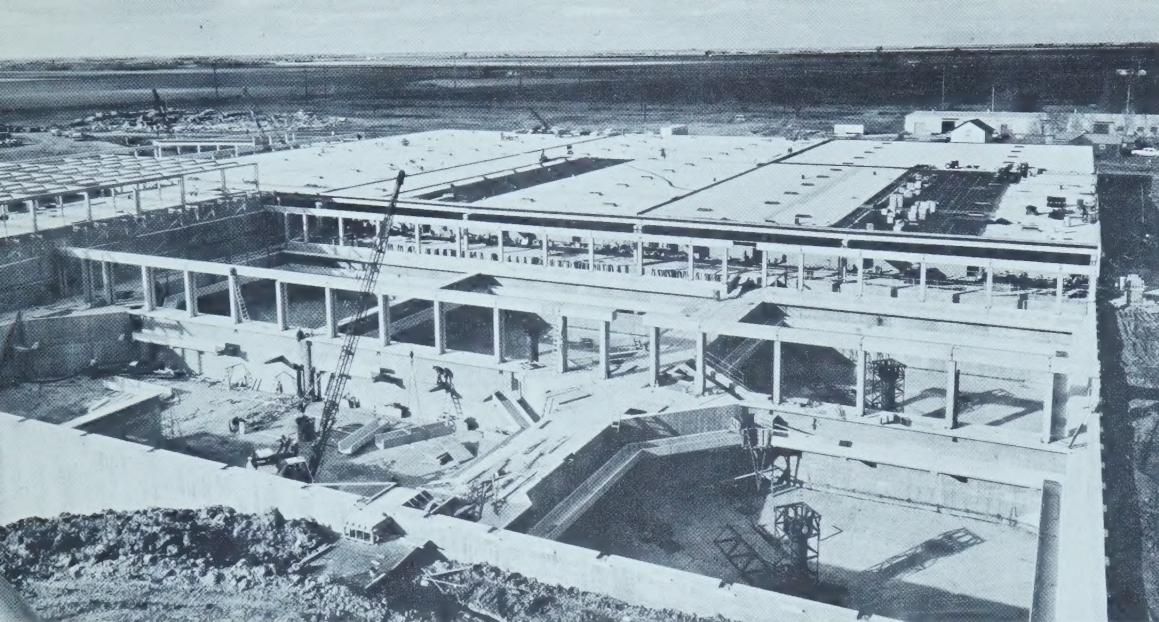




BUILDING SUPPLIES

The Building Supply Division enjoyed a successful and profitable year of operations. Revenues from this division showed a 15% increase over the previous year and earnings were highly satisfactory. In addition to good operating results this division realized the non-recurring capital gain from the sale of its cement plant, under construction. The productive capacity of two cement plants in Manitoba will assure your Company of adequate supplies of cement for its requirements on a competitive basis.

Improvements and additions to your Company's plants, gravel pits and quarries contributed to the profitable operations last year and should enable this division to continue earning significant profits.



A \$6 million addition to the Sewage Disposal Plant of Metropolitan Winnipeg. The Construction, Pre-cast and Concrete Supply Divisions of the company all participated in this project.

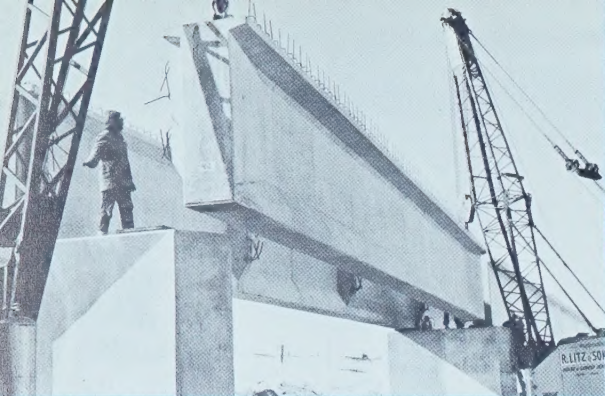
LAND DEVELOPMENT

The Land Development Division of the Company enjoyed an increase in sales and earnings for the year ended February 28th, 1965. The Company has expanded its land development activities, which were originally concentrated in Metropolitan Winnipeg, by acquiring additional acreage for development in Edmonton, Alberta and by marketing part of its improved land in Calgary, Alberta. The Company also acquired a 50% interest in a company in Ft. McMurray, Alberta, and anticipates an active program of residential land development. Ft. McMurray is a newly developing town-site, approximately 300 miles north of Edmonton, Alberta, where the Provincial Government has recently licensed the extraction of oil from the Athabaska Tar Sands and where a major oil company has a \$200,000,000 development under construction.

In addition to the real estate development in the Province of Alberta, the Company has two major residential development programs underway in Metropolitan Winnipeg and is planning a third.

Although housing is not expected to give a dynamic forward push to the economy until the anticipated surge of new household formations occurs three to five years hence, your Company, nevertheless, expects satisfactory revenues and profits from this division. Land inventories presently on hand in Western Canada should substantially appreciate in value and the outlook for this division is bright.





Pre-stressed concrete girders, manufactured and erected by the Pre-cast Concrete Division for a railway bridge in Manitoba.



GENERAL

In 1965, the Company achieved a long term goal of consolidating its operations by the amalgamation of 23 subsidiaries. In general, activities of the Company have been organized into three major operating divisions, each of which has been given profit responsibilities and operating objectives, within the framework of centralized policies and controls. This merger should enable the Company to expand its business without increasing overhead costs.

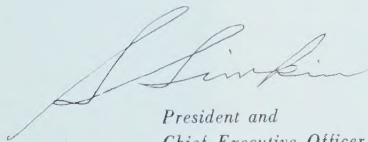
Your Company has authorized the listing of its stock on the American and Toronto Stock Exchanges. Now that the year end financial results have been completed we expect the listing applications will be processed shortly. Your Directors hope that the listing will be of benefit and service to our stockholders.

OUTLOOK

Your Company anticipates a satisfactory level of activity and looks forward to the coming year with optimism and the expectation of improved profits.

The Board of Directors appreciate the interest of our stockholders and gratefully acknowledge the support and loyalty of our employees and customers.

On Behalf Of The Board


*President and
Chief Executive Officer*

1500 Plessis Road,
WINNIPEG 25, MANITOBA,
CANADA



A 203 room motor hotel completed in downtown Calgary, Alberta by our Construction Subsidiary in that Province.

ASSETS**CURRENT ASSETS**

Cash	\$ 122,291
Government of Canada bonds—at cost, approximate market	18,322
Accounts receivable, less allowance of \$182,089	7,988,731
Inventories, generally on the basis of the lower of first-in, first-out cost or market	8,860,748
Prepaid expenses and deposits	173,674
TOTAL CURRENT ASSETS	\$17,163,766

OTHER ASSETS	1,985,724
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PROPERTY, PLANT AND EQUIPMENT

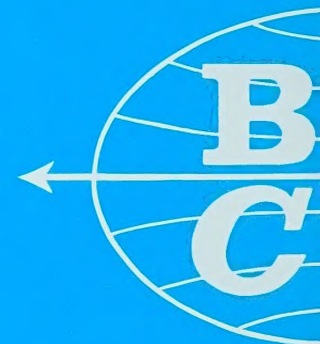
On the basis of cost:

Land and gravel deposits	\$ 1,497,758
Buildings	2,287,313
Machinery and equipment	13,588,514
	<u>\$17,373,585</u>
Less allowances for depletion and depreciation	7,851,823
	<u>9,521,762</u>

DEFERRED CHARGES

Unamortized discount and expense on long-term debt	266,167
	<u>\$28,937,419</u>

See accompanying notes which are part of the consolidated financial statements.



BALANCE SHEET

MATERIALS LIMITED AND SUBSIDIARIES

1965



LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Bank advances	\$ 4,520,510
Accounts payable	3,426,968
Income taxes	182,032
Mortgages on land held for development and sale	508,053
Instalments of long-term debt	508,040

TOTAL CURRENT LIABILITIES \$ 9,145,603

LONG-TERM DEBT 7,592,460

DEFERRED INCOME TAXES 2,029,098

STOCKHOLDERS' EQUITY

Common stock, \$5 par value:

Authorized—2,000,000 shares

Issued—1,024,212 shares \$5,121,060

Contributed capital—no change during year 176,507

Retained earnings 4,872,691 10,170,258

\$28,937,419

APPROVED ON BEHALF OF THE BOARD:

A. L. SIMKIN, Director.

R. J. TURNER, Director.

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS
BRITISH-AMERICAN CONSTRUCTION & MATERIALS LIMITED AND SUBSIDIARIES
YEAR ENDED FEBRUARY 28, 1965



INCOME:		
Net sales		\$32,150,374
Other		604,468
		<u>\$32,754,842</u>
EXPENSES:		
Cost of sales excluding depletion and depreciation set forth below	\$27,722,555	
Selling, administrative and general	1,765,301	
Depletion	26,464	
Depreciation	1,350,552	
Interest (including \$526,715 interest and amortization of discount and expense on long-term debt)	696,727	31,561,599
		<u>\$ 1,193,243</u>
INCOME BEFORE INCOME TAXES		
		\$ 1,193,243
PROVISION FOR INCOME TAXES:		
Currently payable	\$ 408,855	
Deferred	203,782	612,637
		<u>NET INCOME</u>
		\$ 580,606
SPECIAL GAIN		2,477,416
		<u>NET INCOME AND SPECIAL GAIN</u>
		\$ 3,058,022
RETAINED EARNINGS AT MARCH 1, 1964		2,073,398
		<u>\$ 5,131,420</u>
CASH DIVIDENDS PAID		258,729
		<u>RETAINED EARNINGS AT FEBRUARY 28, 1965</u>
		<u>\$ 4,872,691</u>

See accompanying notes which are part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
BRITISH-AMERICAN CONSTRUCTION & MATERIALS LIMITED AND SUBSIDIARIES

February 28, 1965



NOTE A - PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of British-American Construction & Materials Limited and its subsidiaries all of which are wholly-owned Canadian corporations operating in Canada. Inter-company investments, accounts and transactions have been eliminated.

NOTE B - CAPITAL STOCK

The holders of purchase warrants outstanding at February 28, 1965, are entitled to subscribe for 152,500 unissued shares of the authorized capital stock as follows: (i) 105,000 shares at \$15.00 U.S. each to September 30, 1965, and at \$17.50 U.S. each thereafter to September 30, 1969; and (ii) 47,500 shares at \$18.00 U.S. each to September 30, 1966.

NOTE C - ASSETS SUBJECT TO LIEN

Bank advances are secured by a general assignment of book debts and inventories other than inventories of lands held for development and sale. Certain of such lands held for development and sale are subject to mortgages, included in current liabilities, or are pledged as partial security for the 6¼% Note Payable—see Note F. In addition certain items of property, plant and equipment are subject to mortgages or title-retention provisions of equipment-purchase contracts included in long-term debt.

NOTE D - OTHER ASSETS

6% Note receivable in annual instalments of \$187,500 commencing July 16, 1965	\$1,500,000
Deferred municipal accounts receivable	347,195
Other deferred accounts receivable	299,590
Investments and other accounts	206,770
	<u>\$2,353,555</u>
Less amounts included in current assets	367,831
	<u>\$1,985,724</u>

NOTE E - PENSION AND RETIREMENT PLAN

The Company's contributions during the year to a plan to provide retirement benefits for employees amounted to \$25,477. There are no unfunded past service costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Cont'd)
BRITISH-AMERICAN CONSTRUCTION & MATERIALS LIMITED AND SUBSIDIARIES

February 28, 1965

NOTE F - LONG-TERM DEBT

	Principal Outstanding	Current Maturities
6% Sinking Fund Debentures due August 1, 1981: Payments of \$100,000 U.S., increasing to \$225,000 U.S. dependent on earnings, are due annually on May 31st. Repurchased debentures deposited with the Trustee have satisfied anticipated sinking fund requirements to May 31, 1965. The cost of repurchase has not been in excess of the carrying amount of such debentures. Outstanding \$2,785,000 U.S.	\$2,868,819	\$ -0-
6¼% Note due March 1, 1979, (included in current liabilities at February 29, 1964—see Note J): Mandatory payments of \$300,000 U.S. commence March 1, 1967, and supplemental prepayments, based on sales of land held for development and sale, commence March 1, 1965. Outstanding \$4,000,000 U.S.	4,318,750	88,500
6% Instalment Notes on equipment-purchase contracts due on various dates	617,600	404,540
Other notes and mortgages	295,331	15,000
	\$8,100,500	\$508,040
Less amounts included in current liabilities	508,040	
	\$7,592,460	

The Indenture and First Supplemental Indenture dated August 1, 1961, relating to the 6% Sinking Fund Debentures require maintenance of consolidated net current assets in excess of \$750,000 and restrict payment of cash dividends. The agreement relating to the 6¼% Note Payable requires maintenance of consolidated net current assets in excess of \$5,500,000, restricts repurchases of the 6% Sinking Fund Debentures to payments required under that indenture and restricts payment of cash dividends.

At February 28, 1965, consolidated retained earnings approximating \$259,000 are not subject to the more restrictive of these provisions.

NOTE G - REMUNERATION OF OFFICERS AND DIRECTORS

Total remuneration of officers and directors of the Company and its subsidiaries, comprised of salaries and pension benefits, amounted to \$289,359 for the year ended February 28, 1965.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Cont'd)
BRITISH-AMERICAN CONSTRUCTION & MATERIALS LIMITED AND SUBSIDIARIES

February 28, 1965



NOTE H - INCOME TAXES

The laws of Canada and its Provinces do not recognize consolidated income as a basis for taxation and the provision stated represents the aggregate of income taxes provided by each of the companies in the consolidation.

In general, such provisions are based on reported income but distinction has been made between income taxes currently payable and deferred income taxes. The latter relate to reductions in taxable income attributable variously to (a) income unrealized by reason of performance and other holdbacks and (b) allowances for depreciation based on the declining-balance method claimed in greater amount than straight-line depreciation recorded in the accounts. Taxes so deferred, accumulated in the amount of \$2,029,098 at February 28, 1965, may become payable when the relative status of these factors is reversed.

NOTE I - DIVIDEND WAIVERS

Under a previous agreement certain stockholders waived their rights to dividends until September 30, 1964. After payment of the quarterly dividend on November 30, 1964, most of these stockholders agreed to waive their rights to participate in any further dividends until November 30, 1965.

NOTE J - SPECIAL GAIN

The cement plant for the Company's building supply division, under construction at February 29, 1964, was sold during the year. The resulting "special gain," less sundry non-recurring charges, has been recorded in the statement of consolidated income and retained earnings in the amount of \$2,477,416. Coincident to the sale, the principal amount of the 6¼% Note Payable was reduced by \$4,000,000 U.S. and terms of the loan were re-negotiated—see Note F.

NOTE K - CONTINGENT LIABILITIES

The Company and its subsidiaries may incur contingent liabilities and commitments in the performance of contracts entered into in the ordinary course of business. It is impractical to determine the amount of such contingencies and commitments.

ERNST & ERNST

CHARTERED ACCOUNTANTS

OFFICES TORONTO
MONTREAL, WINNIPEG
HAMILTON

ASSOCIATES IN PRINCIPAL
CITIES OF THE UNITED STATES
THE UNITED KINGDOM
AND OTHER COUNTRIES

385 ST MARY AVENUE
WINNIPEG 1, MANITOBA
WH. 3-3509

To the Stockholders,
British-American Construction & Materials Limited.

We have examined the consolidated balance sheet of British-American Construction & Materials Limited and subsidiaries as of February 28, 1965, and the related statements of consolidated income and retained earnings and contributed capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the consolidated financial position of British-American Construction & Materials Limited and subsidiaries at February 28, 1965, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

E. Ernst

Chartered Accountants

April 26, 1965.





Pre-stressed concrete Warehouse and Manufacturing complex for a cement plant. Structural and architectural concrete members were fabricated and erected by our Precast Concrete Division.



Garneau Towers: a 20-storey,
304 suite apartment building
being erected in the city of
Edmonton by our Alberta Con-
struction Subsidiary.



DIRECTORS

STUART M. BERINGER
J. LESLIE BODIE
MICHAEL A. DOMECKI
CECIL L. GOLDIN
ROY J. MATAS
EDWARD ROSENBLAT
ABRAHAM L. SIMKIN
ISRAEL SIMKIN
SAUL SIMKIN
DANIEL D. TALLMAN
ROSS J. TURNER

OFFICERS

SAUL SIMKIN	President and Chairman of Board
J. LESLIE BODIE	Vice-President
ABRAHAM L. SIMKIN	Vice-President
ISRAEL SIMKIN	Vice-President
DANIEL D. TALLMAN	Vice-President
WALTER M. ATKINSON	Secretary
ROSS J. TURNER	Treasurer



P. Pedersen

